

FINANCIAL AUDIT
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT
OF THE

MICHIGAN JOBS COMMISSION

October 1, 1994 through September 30, 1996

EXECUTIVE DIGEST

MICHIGAN JOBS COMMISSION

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| INTRODUCTION | This report contains the results of our financial audit [*] , including provisions of the Single Audit Act, of the Michigan Jobs Commission (MJC) for the period October 1, 1994 through September 30, 1996. |
| AUDIT PURPOSE | This financial audit of MJC was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act of 1984 and federal Office of Management and Budget Circular A-128, <i>Audits of State and Local Governments</i> . |
| BACKGROUND | <p>MJC was created as a temporary agency by Executive Order 1993-2, effective on March 1, 1993. MJC was later made a permanent State department by Executive Order 1994-26, effective on February 27, 1995. Through fiscal year 1994-95, administrative support functions for MJC programs were provided primarily by the Departments of Commerce, Labor, and Education.</p> <p>MJC was established to promote and administer programs designed to foster economic expansion and workforce development in the State of Michigan. MJC's purpose is also to ensure that there will be maximum coordination, accountability, and performance related measures with</p> |

^{*} See glossary on page 73 for definition.

respect to these programs.

MJC is headed by a chief executive officer, who also serves as department director. Executive Order 1994-26 also established the Michigan Jobs Commission Board. The Board, which consists of up to 25 voting members appointed by the Governor, was established to advise the Governor and MJC's chief executive officer on matters regarding economic and workforce development policy.

Executive Order 1993-94, effective May 3, 1993, transferred several programs from the Department of Labor to MJC, including the Community Services Block Grant, the Weatherization Program, and the Bureau of Employment Training and Community Services. Executive Order 1993-20, effective January 1, 1994, transferred Michigan Rehabilitation Services from the Department of Education to MJC. Executive Order 1994-26, effective February 27, 1995, transferred several additional programs to MJC, including the Community Development Block Grant, the Michigan Strategic Fund, and the K.I. Sawyer Base Conversion Authority. Executive Order 1995-92, effective March 2, 1995, transferred several programs from MJC to the Family Independence Agency, including the Community Services Block Grant and the Weatherization Program.

MJC's major funding sources were the State's General Fund and the U.S. Departments of Education, Health and Human Services, Housing and Urban Development, and Labor.

MJC's General Fund expenditures (which included MJC's federally funded expenditures) and operating transfers out

were approximately \$354.9 million and \$280.8 million for fiscal years 1995-96 and 1994-95, respectively.

As of September 30, 1996, MJC had 1,066 employees.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To assess the adequacy of MJC's internal control structure*, including applicable administrative controls related to the management of federal financial assistance programs.

Conclusion: Our assessment of MJC's internal control structure did not disclose any material weaknesses*. However, we did identify reportable conditions* relating to common control functions, such as cash management, federal financial reporting, Personnel-Payroll Information System for Michigan, and cash receipts (Findings 1, 2, 6, and 7). Our assessment also disclosed reportable conditions relating to MJC's internal control structure over its grants management functions, including subrecipient* monitoring, personnel-payroll cost allocations, and purchasing practices (Findings 3 through 5).

In addition, our assessment disclosed that MJC was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

Audit Objective: To assess MJC's compliance with both State and federal laws and regulations that could have a material effect on either MJC's financial schedules or any of its major federal financial assistance programs.

Conclusion: Our assessment did not disclose any noncompliance with laws and regulations that could have

* See glossary on page 73 for definition.

a material effect on MJC's financial schedules or any of its major federal financial assistance programs.

Our audit disclosed questioned costs* totaling at least \$2,536,003 and negative questioned costs* totaling \$581,000 for the two-year period ended September 30, 1996, which are presented as supplemental information in the schedule of questioned costs.

Audit Objective: To audit MJC's financial schedules for the fiscal years ended September 30, 1996 and September 30, 1995.

Conclusion: We expressed an unqualified opinion on the financial schedules for the fiscal years ended September 30, 1996 and September 30, 1995. However, we did note a reportable condition pertaining to equipment inventory controls and financial reporting (Finding 8).

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan Jobs Commission for the period October 1, 1994 through September 30, 1996. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

MJC operations also included the Michigan Strategic Fund and MESA, which are audited and reported on separately.

Our audit objective for the assessment of the internal control structure included an evaluation of MJC's

* See glossary on page 73 for definition.

implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control, as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report contains 8 findings and 11 corresponding recommendations. The agency's preliminary response indicated that MJC agreed with 10 recommendations and disagreed with 1 recommendation. In addition, the agency's preliminary response indicated that MJC will take or has taken steps to implement the recommendations with which it concurred.

MJC had complied with the 4 recommendations from the prior audits of the Department of Labor and the Department of Commerce pertaining to programs currently administered by MJC.

MJC had also complied with 5 of the 6 recommendations from the prior audit of the federal programs of Michigan Rehabilitation Services (an MJC program previously administered by the Department of Education). One recommendation is repeated in this report.

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Mr. Doug Rothwell, Chief Executive Officer
Michigan Jobs Commission
Victor Center
Lansing, Michigan

Dear Mr. Rothwell:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Michigan Jobs Commission for the period October 1, 1994 through September 30, 1996.

This report contains our executive digest; description of agency; audit objectives, audit scope, and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; and independent auditor's reports on the internal control structure, on compliance with laws and regulations, and on the financial schedules. This report also contains the Michigan Jobs Commission's financial schedules and notes to the financial schedules; supplemental financial schedules; the schedule of questioned costs and schedule of immaterial noncompliance, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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Description of Agency

The Michigan Jobs Commission (MJC) was created as a temporary agency by Executive Order 1993-2, effective March 1, 1993. MJC was later made a permanent State department by Executive Order 1994-26 (Executive Reorganization Order 1994-10), effective February 27, 1995.

MJC was established to promote and administer programs designed to foster economic expansion and workforce development in the State of Michigan. MJC's purpose is also to ensure that there will be maximum coordination, accountability, and performance related measures with respect to these programs.

MJC is headed by a chief executive officer, who also serves as department director. Executive Order 1994-26 also established the Michigan Jobs Commission Board. The Board, which consists of up to 25 voting members appointed by the Governor, was established to advise the Governor and MJC's chief executive officer on matters regarding economic and workforce development policy.

Executive Order 1993-4, effective May 3, 1993, transferred several programs from the Department of Labor to MJC, including the Community Services Block Grant, the Weatherization Program, and the Bureau of Employment Training and Community Services. Executive Order 1993-20, effective January 1, 1994, transferred Michigan Rehabilitation Services from the Department of Education to MJC. Executive Order 1994-26, effective February 27, 1995, transferred several additional programs to MJC, including the Community Development Block Grant, the Michigan Strategic Fund, and the K.I. Sawyer Base Conversion Authority. Executive Order 1995-2, effective March 2, 1995, transferred several programs from MJC to the Family Independence Agency, including the Community Services Block Grant and the Weatherization Program.

As of September 30, 1996, MJC was arranged into the following organizational units:

- Executive Office
- Michigan Travel Services
- Michigan Business Ombudsman
- International and National Business Development
- Planning and Public Affairs
- Workforce Development
- Michigan Rehabilitation Services

Economic Development Job Training
Customer Assistance and Small Business Services
Economic Development Services
Michigan Strategic Fund
Administrative Services

Administrative Services (which was established on October 1, 1995) is responsible for maintaining MJC's budgeting, purchasing, information technology, personnel services, office services, and accounting and financial reporting, including the preparation and submission of most federal program cost reports. The individual program areas have the responsibility for establishing and implementing grant and service program policies. Through fiscal year 1994-95, administrative support functions for MJC programs were provided primarily by the Departments of Commerce, Labor, and Education.

The Michigan Employment Security Commission (MESC) was established by Act 1, P.A. 1936, to bring Michigan into conformity with the federal Wagner-Peyser Act of 1933. MESC was established as a statutorily and financially autonomous entity. Executive Order 1995-8 changed MESC's name to the Michigan Employment Security Agency (MESA) and transferred it to MJC. This transfer was pending resolution of related litigation and became effective after final action by the Michigan Supreme Court in December 1996. Executive Order 1997-12 subsequently transferred MESA's unemployment benefits functions to the Department of Consumer and Industry Services. MESA's employment services and other functions remain with MJC. MESA was not part of MJC during the period covered by this audit.

MJC's financial transactions are recorded primarily in the General Fund, with the exception of the financial transactions of the Michigan Strategic Fund, which are recorded in a proprietary fund, and the financial transactions of MESA, which are recorded in a special revenue fund and the expendable trust fund group. MJC had General Fund expenditures (which included MJC's federally funded expenditures) and operating transfers out totaling approximately \$354.9 million and \$280.8 million for fiscal years 1995-96 and 1994-95, respectively.

As of September 30, 1996, MJC had 1,066 employees.

Audit Objectives, Audit Scope, and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our financial audit, including the provisions of the Single Audit Act, of the Michigan Jobs Commission (MJC) had the following objectives:

1. To assess the adequacy of MJC's internal control structure, including applicable administrative controls related to the management of federal financial assistance programs.
2. To assess MJC's compliance with both State and federal laws and regulations that could have a material effect on either MJC's financial schedules or any of its major federal financial assistance programs.
3. To audit MJC's financial schedules for the fiscal years ended September 30, 1996 and September 30, 1995.

Our audit objective for the assessment of the internal control structure included an evaluation of MJC's implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control, as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

Audit Scope

Our audit scope was to examine the financial and other records of the Michigan Jobs Commission for the period October 1, 1994 through September 30, 1996. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

MJC's operations also include the Michigan Strategic Fund, and the Michigan Employment Security Agency, which are audited and reported on separately.

We considered MJC's internal control structure policies and procedures for its federal financial assistance programs and assessed MJC's compliance with federal laws and regulations in accordance with the Single Audit Act of 1984 and federal Office of Management and Budget Circular A-128, *Audits of State and Local Governments*, in addition to generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. MJC's major programs are identified on the schedule of federal financial assistance.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 8 findings and 11 corresponding recommendations. The agency's preliminary response indicated that MJC agreed with 10 recommendations and disagreed with 1 recommendation. In addition, the agency's preliminary response indicated that MJC will take or has taken steps to implement the recommendations with which it concurred.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require MJC to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

Although this is the initial financial audit of MJC, most of MJC's program areas were transferred to MJC from other departments. The Community Development Block Grants - State's Program (CFDA #14.228) was transferred to MJC from the Department of Commerce, the Employment and Training Assistance - Dislocated Workers (CFDA #17.246) and Job Training Partnership Act (CFDA #17.250) programs were transferred to MJC from the Department of Labor, and the Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA #84.126) program was transferred to MJC from the Department of Education. We reviewed the findings and recommendations in the prior audits of these departments as they pertained to program areas and the federal financial assistance programs that were transferred to MJC.

MJC had complied with the 4 recommendations from the prior audits of the Department of Labor and the Department of Commerce pertaining to programs currently administered by MJC.

MJC had also complied with 5 of the 6 recommendations from the prior audit of the federal programs of Michigan Rehabilitation Services (an MJC program previously

administered by the Department of Education). One recommendation is repeated in this report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

INTERNAL CONTROL STRUCTURE

COMMENT

Background: The Michigan Jobs Commission's (MJC's) major funding sources were the State's General Fund and the U.S. Departments of Education, Health and Human Services, Housing and Urban Development, and Labor. MJC's federal financial assistance programs were administered primarily by the Workforce Development, Michigan Rehabilitation Services, and Michigan Renaissance Fund program areas.

Audit Objective: To assess the adequacy of MJC's internal control structure, including applicable administrative controls related to the management of federal financial assistance programs.

Conclusion: Our assessment of MJC's internal control structure did not disclose any material weaknesses. However, we did identify reportable conditions relating to common control functions, such as cash management, federal financial reporting, Personnel-Payroll Information System for Michigan, and cash receipts. Our assessment also disclosed reportable conditions relating to MJC's internal control structure over its grant management functions, including subrecipient monitoring, personnel-payroll cost allocations, and purchasing practices.

In addition, our assessment disclosed that MJC was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

The Michigan Administrative Information Network (MAIN) is the Statewide financial management system implemented in fiscal year 1994-95. Individual State agencies are not responsible for the design of the Statewide policies and controls of MAIN. However, because MAIN is a Statewide system, which all State agencies are required to use, the internal control structure of each agency, including MJC, is affected to varying degrees by MAIN.

Because MJC's internal control structure is affected by this Statewide system, professional auditing standards required our assessment of internal controls in MJC to

include elements reviewed in our financial related audit of MAIN for the period October 1, 1994 through April 30, 1996. That audit reported 29 reportable conditions, including 3 material weaknesses, which are more fully explained in our separately issued report dated August 31, 1996.

FINDING

1. Cash Management

MJC's internal control structure did not provide for compliance with State and federal cash management standards. We noted several exceptions related to the timeliness of MJC's cash draws and incomplete information being reported to the Michigan Department of Treasury. As a result, we estimated that the State did not recover approximately \$368,000 in interest income and had additional lost interest income of approximately \$94,200.

The federal Cash Management Improvement Act (CMIA) of 1990 was enacted to achieve greater efficiency, effectiveness, and equity in the transfer of federal funds. Beginning in fiscal year 1993-94, the State entered into an agreement with the U.S. Department of Treasury to implement CMIA for selected major federal programs, in accordance with Title 31, Part 205 of the *Code of Federal Regulations (CFR)*. Compliance with CMIA provides for an annual review of actual cash draws compared with prescribed drawdowns and a settlement of interest due from or to the U.S. Department of Treasury. The drawdown of federal funds not subject to CMIA is to be made in accordance with federal general cash management requirements, Section 18.1395(5) of the *Michigan Compiled Laws*, and Department of Management and Budget (DMB) Administrative Guide procedure 1210.06 and does not provide for an annual settlement of interest costs.

Our review of MJC's cash management practices disclosed:

- a. MJC did not report the necessary information to the Michigan Department of Treasury to calculate the interest lost to the State because of time delays experienced in requesting and receiving federal funds during fiscal years 1995-96 and 1994-95.

Federal regulation 31 *CFR* 205.11(a) states:

The Federal Government will incur an interest liability to a State if the State pays out its own funds for program purposes with valid obligational authority under Federal law, Federal regulation, or Federal-State agreement. A Federal interest liability will accrue from the day a State pays out its own funds for program purposes to the day Federal funds are credited to a State account.

Our review disclosed that there were considerable delays between the time that MJC made federal program expenditures and the time that reimbursement was received from the federal government:

- (1) During fiscal year 1995-96, MJC expended approximately \$200.6 million for federal programs subject to CMIA. We selected three cash draws relating to these programs in order to assess the approximate delays incurred between the time that MJC had made program expenditures and the time that the funds were received from the federal government:

| Line of Credit Number and Cash Draw Date | Cash Draw Amount | Delay Between Date of Expenditure and Date of Receipt of Federal Funds |
|---|---------------------|--|
| 2C16 January 26, 1996 | \$11,700,000 | 6 to 91 days |
| Various September 30, 1996 | \$12,169,405 | 3 to 113 days |
| 5H83B February 8, 1996 | \$37,020,381 | 1 to 98 days |

Based on the delays noted and using the interest rate specified in the fiscal year 1995-96 CMIA, we estimated that for these three cash draws (representing federal program expenditures of \$60.9 million) the State did not recover approximately \$375,300 in interest income because of the delays in receiving reimbursements from the federal government (see

schedule of questioned costs item 1).

- (2) During fiscal year 1994-95, MJC expended approximately \$123.0 million for federal programs subject to CMIA. We selected three cash draws relating to these programs in order to assess the approximate delays incurred between the time that MJC had made program expenditures and the time that the funds were received from the federal government:

| Line of Credit Number and Cash Draw Date | Cash Draw Amount | Delay Between Date of Expenditure and Date of Receipt of Federal Funds |
|---|---------------------|--|
| 5H83B August 15, 1995 | \$13,939,679 | 15 to 46 days |
| 5H83B August 15, 1995 | \$ 276,556 | 24 days |
| 5H83B September 27, 1995 | \$32,918,260 | 27 to 58 days |

Based on the delays noted and using the interest rate specified in the fiscal year 1994-95 CMIA, we estimated that for these three cash draws (representing federal program expenditures of \$47.1 million) the State did not recover approximately \$205,700 in interest income because of the delays in receiving reimbursements from the federal government (see schedule of questioned costs item 1).

MJC reported these billing delays to the Michigan Department of Treasury. However, MJC did not provide the detail necessary to calculate the corresponding interest due to the State based on its interpretation of the Michigan Department of Treasury's reporting instructions.

- b. MJC did not report the necessary information to the Michigan Department of Treasury to calculate the interest due to the U.S. Department of Treasury resulting from the receipt of federal funds before expenditures were made during fiscal year 1995-96.

Federal regulation 31 *CFR* 205.12(a) states:

A State will incur an interest liability to the Federal Government if Federal funds are in a State account prior to the day the State pays out funds for program purposes.

A State interest liability will accrue from the day Federal funds are credited to a State account to the day the State pays out the Federal funds for program purposes.

During fiscal year 1995-96, MJC periodically made federal cash draws before incurring related program expenditures for the Employment and Training Assistance - Dislocated Workers (*CFDA* #17.246) and the Job Training Partnership Act (*CFDA* #17.250) programs. We selected one cash draw to assess the approximate impact of receiving federal funds too soon. On February 6, 1996, MJC overdrew federal funds by approximately \$14.1 million. Based on our review, we estimate that MJC did not fully expend these funds until 56 days after the federal funds were received.

Based on the length of time that MJC held these federal funds before paying out the funds for program purposes and using the interest rate specified in the fiscal year 1995-96 CMIA, we estimated that for this one cash draw the State has an interest liability to the federal government of approximately \$213,000 (see schedule of questioned costs item 2).

We also noted that other overdrafts for these two programs had occurred during fiscal years 1995-96 and 1994-95.

- c. MJC often did not request, on a timely basis, federal funds for non-CMIA programs.

In addition to the federal programs subject to the CMIA agreement, MJC has other federal programs that are subject to federal general cash management requirements. We determined that for fiscal years 1995-96 and 1994-95, total expenditures for these programs were approximately \$28.8 million and \$12.5 million, respectively.

MJC Office of Financial Services staff indicated that they generally processed billings for these programs every 2 to 3 weeks. We noted routine delays of up to 10 days between the date of the expenditure of these funds by MJC and the date that federal reimbursement was received. As a result, we estimate that the State lost interest income of approximately \$74,300 and \$19,900 in fiscal years 1995-96 and 1994-95, respectively, based on the State Treasurer's Common Cash rate of return.

RECOMMENDATIONS

We recommend that MJC enhance its internal control structure to provide for compliance with State and federal cash management standards.

We also recommend that MJC, in conjunction with the Michigan Department of Treasury, analyze its fiscal years 1995-96 and 1994-95 draws of federal funds to determine a proper settlement of interest due from or due to the U.S. Department of Treasury.

AGENCY PRELIMINARY RESPONSE

MJC agrees with these recommendations. MJC has implemented procedures to process cash draws of federal grant funds more frequently and is also working with the Department of Treasury to pursue the possibility of recovering lost interest income.

FINDING

2. Federal Financial Reporting

MJC's internal control structure did not ensure that required federal financial reports were submitted on a timely basis. As a result, required federal financial reports were filed late for 3 of the 6 major federal financial assistance programs included in our review.

Our review of MJC's federal financial reporting practices disclosed:

- a. Federal regulation 34 *CFR* 80.41(b) requires the State to submit a financial status report (SF-269) to report on the status of funds for the Rehabilitation Services Basic Support (RSBS) Program. Quarterly reports are due 30 days after the end of the report period, annual reports are due within 90 days after the end of the grant year, and final reports are due within 90 days after the expiration or termination of grant support.

Our review of 8 SF-269 reports due for the RSBS Program during fiscal year 1995-96 disclosed that none of the 8 reports were submitted on a timely basis. These reports had been submitted from 16 to 411 days late. On the average, the 8 reports were submitted 157 days after they were due. MJC did not document that it had requested any extensions for submission of these required reports.

- b. Federal regulation 20 *CFR* 627.455 requires the State to submit Job Training Partnership Act (JTPA) Title II quarterly status reports (ETA 9040) and worker adjustment formula financial reports (ETA 9041) for the Employment and Training Assistance - Dislocated Workers (*CFDA* #17.246) and for the JTPA (*CFDA* #17.250) programs within 45 days after the end of each reporting period.

Our review of 32 ETA 9040 and ETA 9041 reports due for the quarterly reporting periods in fiscal years 1995-96 and 1994-95 disclosed that 19 (59%) of these reports were not submitted on a timely basis. These reports had been submitted from 1 to 112 days late. On the average, the 19 reports were submitted 40 days after they were due. MJC did not document that it had requested any extensions for the submission of these required reports.

RECOMMENDATION

We recommend that MJC improve its internal control structure to help ensure that required federal financial reports are submitted on a timely basis.

AGENCY PRELIMINARY RESPONSE

MJC agrees with this recommendation and has implemented a tracking system to monitor due dates and ensure the timely filing of reports. This corrective action has resulted in the timely filing of the majority of federal reports during fiscal year 1996-97.

FINDING

3. RSBS Program Subrecipient Monitoring

MJC's internal control structure did not provide for the monitoring of RSBS Program subrecipients in accordance with federal regulations.

State governments that provide \$25,000 or more of federal assistance in any fiscal year to a subrecipient must determine if the subrecipient complied with the requirements of the Single Audit Act and the applicable audit requirements of federal Office of Management and Budget (OMB) Circulars A-128 or A-133.

MJC awarded federal grants of \$25,000 or more to 36 RSBS Program subrecipients during fiscal year 1995-96. Total amounts awarded to these subrecipients during fiscal year 1995-96 were approximately \$2.2 million (see schedule of questioned costs item 6).

Through September 30, 1995, the Michigan Department of Education provided the administrative support for the federal RSBS Program and ensured that the monitoring of subrecipients was performed as required by federal regulations. Beginning October 1, 1995, MJC became responsible for the monitoring of the RSBS Program subrecipients. However, MJC had not established procedures to monitor RSBS Program subrecipients.

RECOMMENDATION

We recommend that MJC improve its internal control structure by developing a system to monitor RSBS Program subrecipients in accordance with federal regulations.

AGENCY PRELIMINARY RESPONSE

MJC agrees with this recommendation. Michigan Rehabilitation Services (MRS) is completing desk reviews of the subrecipient audit reports received to date and has also requested limited scope audits from subrecipients that have total federal grants below the single audit threshold. These actions will ensure that all RSBS Program subrecipients are monitored. As of March 3, 1998, MRS had received 30 of the 36 audit reports from the subrecipients that received \$25,000 or more.

FINDING

4. RSBS Program Personnel-Payroll Cost Allocations

MJC did not document the propriety of certain personnel-payroll costs charged to the RSBS Program as required by federal cost reimbursement standards.

OMB Circular A-87, Attachment B, states that salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records or another substitute system approved by the federal cognizant agency. We noted a lack of appropriate time distribution records to support personnel-payroll costs charged to the RSBS Program.

In fiscal year 1983-84, MRS established a rehabilitation program that offered insurance carriers and self-insured employers specialized services to return injured workers to their jobs. Section 395.84 of the *Michigan Compiled Laws* requires this insurance program to recover the full cost of services provided.

As reported in three prior Michigan Department of Education Single Audits*, MRS charged insurance program personnel-payroll costs in excess of receipts from third party payers to the RSBS Program. In response to our prior audit recommendations, MRS began performing periodic time studies to support the personnel-payroll costs of rehabilitation counselors that were charged to the RSBS Program. However, MRS did not obtain approval from its federal cognizant agency for this methodology, as required. We also noted that the personnel-payroll costs

* See glossary on page 73 for definition.

of MRS managerial staff were still charged to the RSBS Program without proper documentation. Although MRS believed that these costs were eligible for the RSBS Program, MRS did not document the propriety of the total personnel-payroll costs charged to the RSBS program. During fiscal year 1995-96, MJC charged approximately \$178,200 of insurance program personnel-payroll costs to the RSBS Program.

RECOMMENDATION

WE AGAIN RECOMMEND THAT MJC DOCUMENT THE PROPRIETY OF PERSONNEL-PAYROLL COSTS CHARGED TO THE FEDERAL RSBS PROGRAM AS REQUIRED BY FEDERAL COST REIMBURSEMENT STANDARDS.

AGENCY PRELIMINARY RESPONSE

MJC agrees with this recommendation. During fiscal year 1996-97, MRS implemented a timekeeping system to distribute employees' personnel-payroll costs to the Insurance Program in compliance with OMB Circular A-87. Therefore, cognizant agency approval will not be required. Also, reviews of the case files continue to show that the vast majority of Insurance Program clients are eligible for RSBS Program services; therefore, staffing costs are eligible charges to the federal grant.

FINDING

5. RSBS Program Purchasing Practices

MJC did not comply with State purchasing requirements when acquiring services and commodities for RSBS Program clients. Also, MJC did not have written authorization from the Department of Management and Budget (DMB) to deviate from standard State purchasing practices.

Workforce Development Guideline 1.0275 states that all purchased services shall be authorized according to all legal, State purchasing, and agency requirements. DMB has established procedures and set limits for purchases of services and commodities. In general, purchases are to be made through the DMB Office of

Purchasing unless they meet certain criteria to allow them to be purchased directly by MJC.

Our review of RSBS Program expenditures disclosed that MJC did not use the Office of Purchasing for purchases of services and commodities for RSBS clients. RSBS Program counselors made their own efforts to locate and obtain a fair price for services and commodities to be used by clients.

Based on our review, we concluded that RSBS Program services and commodities purchased by MJC for clients were appropriate. However, we noted that MJC often could not document that these services and commodities were obtained at the lowest possible price.

RSBS Program staff indicated that they were not always able to utilize DMB's purchasing system because of their clients' special needs. MJC staff also informed us that they had authorization from DMB to do their own purchasing for the RSBS Program. However, MJC was unable to locate any documentation to support DMB's authorization. In April 1991, DMB conducted an audit that included a review of the RSBS Program purchasing practices. DMB's audit report included citations related to the use of State purchasing contracts, delegated purchasing limits, and payment approval thresholds.

RECOMMENDATION

We recommend that MJC comply with State purchasing requirements when acquiring services and commodities for RSBS Program clients or obtain written authorization from DMB to deviate from standard State purchasing practices.

AGENCY PRELIMINARY RESPONSE

MJC disagrees with this recommendation because most, if not all, of the client purchases are for medical and direct human services, for which purchasing authority is delegated to agencies per DMB Administrative Guide procedure 0510.13. In addition, MJC has subsequently received a letter from DMB verifying this delegation of purchasing authority. MJC is in the process of communicating with DMB to determine whether any purchases are not covered by this directive and will take appropriate action to ensure compliance with State procedures.

With respect to the finding that MJC could not document that these services and commodities had been obtained at the lowest possible price, the standard set by

DMB is that acquisitions should be obtained at the best value, which includes factors other than simply cost. Given the customized and special needs of MRS's clients, this is a very significant issue that must be taken into consideration.

FINDING

6. Personnel-Payroll Information System for Michigan (PPRISM)

MJC did not develop and implement a proper internal control structure for PPRISM functions. A proper internal control structure is critical to help prevent and detect, on a timely basis, the processing of erroneous and unauthorized transactions.

Our review of PPRISM functions disclosed the following internal control weaknesses:

- a. Office of Human Resources (OHR) staff assignments did not provide for an adequate separation of duties.

Various sections of the PPRISM Procedures Manual identify specific duties for personnel aides, designated control staff, and transaction operators. However, MJC has elected to operate under the generalist concept whereby OHR staff perform all personnel-payroll functions for specific operating units within MJC. Without appropriate compensating controls (see items b., c., and d.), such assignments weaken personnel-payroll internal controls because they do not provide for an adequate separation of duties.

- b. PPRISM transaction control logs were often prepared and inappropriately reconciled by someone who was also responsible for entering PPRISM transactions.

To help ensure that only authorized transactions are processed, PPRISM Procedures Manual section 2.3 requires that a designated control person, who does not have the capability to process transactions on PPRISM, record all authorized transactions in a transaction control log before a transaction operator processes the data. On the following day, the control person is to

total the transactions on the control log, reconcile the control log with the PPRISM control report, and initial the control log after it is reconciled.

MJC staff responsible for processing PPRISM transactions reconciled approximately 75% of the control logs with the PPRISM control reports during the audit period. The remaining 25% of the control logs were reconciled with the PPRISM control reports by an employee who did not have the capability to process transactions on PPRISM.

- c. MJC staff often did not reconcile the PPRISM biweekly transaction reports (PE-110) with source documents. The reconciliation was not performed for 6 of the 8 PE-110 reports reviewed. In addition, the MJC employee responsible for performing the reconciliation was also responsible for processing PPRISM transactions.

To help ensure that transactions are accurately processed, the PE-110 report should be reconciled with source documents by a control person who does not have the capability to process PPRISM transactions.

- d. MJC did not document the reconciliation of the PPRISM biweekly hours entered report (PR-180) with time and attendance records.

To provide a proper PPRISM internal control structure, the DMB Office of Financial Management instructed all departments and agencies to ensure that the PR-180 reports were reconciled with time and attendance records by employees who are not responsible for processing PPRISM transactions.

OHR staff informed us that these reconciliations were performed, but documentation of the reconciliations was not always retained. We selected 8 time and attendance records and found documentation of a reconciliation for only 4 of the records.

- e. MJC staff did not ensure that access to PPRISM was removed for employees after their PPRISM-related responsibilities ended.

We found that 8 employees who no longer had any PPRISM-related duties still had access to PPRISM. Limiting PPRISM access to only those employees who are responsible for processing PPRISM transactions reduces the possibility that unauthorized transactions could be processed.

RECOMMENDATION

We recommend that MJC develop and implement a proper internal control structure for PPRISM functions.

AGENCY PRELIMINARY RESPONSE

MJC agrees with this recommendation and has implemented corrective actions. Also, the conversion from PPRISM to the new Data Collection and Distribution System during fiscal year 1997-98 will significantly change the payroll procedures and, consequently, will also affect the related internal controls.

FINDING

7. Cash Receipts

MJC did not maintain an adequate internal control structure over cash receipts and cash deposits. This increased the risk that cash receipts could be misappropriated and has resulted in cash receipts being mishandled.

Our review disclosed:

- a. MJC's internal control structure did not ensure that all mail was opened centrally and properly sorted for receipts.

MJC had not established a policy regarding what mail should not be opened in the mailroom. At the time of our audit, mailroom staff did not open mail addressed to the Executive Office or the Office of Human Resources or mail marked "Personal and Confidential." Also, mailroom staff often missed checks during the initial sorting of the mail. Staff at several operating units stated that many of the checks that they did receive were contained in mail that had already been opened and sorted in the mailroom.

- b. MJC's internal control structure did not ensure that mail was opened in a controlled environment.

Two mailroom employees were assigned to open the mail, but the employees worked independently of each other. Also, only one employee opened mail at the 4 operating units that also received checks. These units included: Michigan Rehabilitation Services (MRS), located in the Hannah Building; International and National Business Development (INBD), located in the Victor Center; the Michigan Strategic Fund, located in the Law Building; and the MRS Insurance Program, located in Farmington Hills. DMB Administrative Guide procedure 1270.02 requires that mail be opened by a minimum of two people.

- c. MJC's internal control structure did not ensure that cash receipts were properly recorded and reconciled and that the transfer of receipts from the mail openers to the cashier was properly acknowledged.

Mailroom staff did not initial the cash receipt logs that they prepared to identify which employee was responsible for recording the receipts and did not reconcile receipts with the cash receipt log prior to transferring the receipts to the cashier. Also, MJC's cashier did not initial the cash receipts logs received from the operating units to document and acknowledge the verification of the cash receipts transferred from the mailroom to the cashier.

In addition, staff at 2 of the 4 operating units (MRS in the Hannah Building and INBD in the Victor Center) that received checks did not prepare cash logs. Also, staff at the MRS Insurance Program informed us that, while receipts pertaining to the Insurance Program were recorded on a log, other receipts (including checks as large as \$100,000) were not recorded.

DMB Administrative Guide procedure 1270.02 requires that staff who open mail prepare and initial cash receipt logs and reconcile receipts with the logs prior to delivery to the cashier and that the cashier initial the cash receipt logs to acknowledge that cash receipts were received and verified. MJC's failure

to comply with prescribed DMB procedures resulted in the following errors (which the cashier subsequently identified and corrected):

- (1) On February 26, 1996, a check for \$70,116 was recorded on a cash log as \$701,116.
 - (2) On March 5, 1996, 5 canceled checks totaling \$1,969,745 were recorded on the cash log and forwarded to the cashier.
 - (3) On September 26, 1996, a check for \$423 that was not recorded on the cash log was forwarded to the cashier by the mailroom.
- d. MJC's internal control structure did not provide for cash deposits to be reconciled with the cash receipts log.

DMB Administrative Guide procedure 1270.02 requires that cash deposits be verified to the cash receipts log and that the verification be performed by someone other than the cashier. Our review of deposits disclosed two items (\$198 received March 5, 1996 and \$53 received August 30, 1996) that were recorded on the cash receipts log, but had not been deposited by the cashier.

- e. MJC had not established policies and procedures pertaining to the receipt and deposit of funds that did not come through the U.S. Post Office.

Two MJC locations (INBD in the Victor Center and the Michigan Strategic Fund in the Law Building) regularly received checks from sources other than the U.S. Post Office. For example, MJC staff indicated that registration fees (ranging from \$300 to \$1,600) for MJC-sponsored trade shows would often be delivered directly to MJC program staff either from individuals or through private mail delivery services. Checks received by these 2 locations, from sources other than the U.S. Post Office, were excluded from MJC's prescribed cash handling procedures and were hand-delivered to the cashier's office.

- f. MJC's internal control structure did not ensure that checks were deposited on a timely basis.

Our review of 10 daily deposits disclosed that 6 deposits were made from 2 to 16 days after the checks were received and 1 deposit that was made 45 days

after the checks were received. DMB Administrative Guide procedure 1210.04 requires cash receipts to be deposited the day received or no later than the next business day.

DMB procedures also require that checks in excess of \$100,000 be delivered to the Department of Treasury on the day of receipt. Included in the late deposits discussed in the preceding paragraph were checks for \$239,671 and \$103,788 that were held for 4 and 45 days, respectively.

RECOMMENDATION

We recommend that MJC improve its internal control structure over cash receipts and cash deposits.

AGENCY PRELIMINARY RESPONSE

MJC agrees with this recommendation and has implemented corrective actions for mail opening and the processing of cash receipts.

COMPLIANCE WITH LAWS AND REGULATIONS

COMMENT

Background: MJC expends or disburses to subgrantees numerous federal grants. In fiscal years 1995-96 and 1994-95, MJC expended or disbursed to subgrantees approximately \$266.3 million and \$131.5 million, respectively, in federal financial assistance. As defined by the Single Audit Act, MJC had 8 and 3 major federal financial assistance programs in fiscal years 1995-96 and 1994-95, respectively. Responsibility for administering the various federal programs is generally delegated to program units as few federal functions have common administration.

Audit Objective: To assess MJC's compliance with both State and federal laws and regulations that could have a material effect on either MJC's financial schedules or any of its major federal financial assistance programs.

Conclusion: Our assessment did not disclose any noncompliance with laws and regulations that could have a material effect on MJC's financial schedules or any of its major federal financial assistance programs.

Our audit disclosed questioned costs totaling at least \$2,536,003 and negative questioned costs totaling \$581,000 for the two-year period ended September 30, 1996, which are presented as supplemental information in the schedule of questioned costs.

FINANCIAL ACCOUNTING AND REPORTING

COMMENT

Audit Objective: To audit MJC's financial schedules for the fiscal years ended September 30, 1996 and September 30, 1995.

Conclusion: We expressed an unqualified opinion on the financial schedules for the fiscal years ended September 30, 1996 and September 30, 1995. However, we did note a reportable condition pertaining to equipment inventory controls and financial reporting.

FINDING

8. **Equipment Inventory Controls and Financial Reporting**

MJC had not complied with prescribed fixed asset control and financial reporting requirements. As a result, MJC did not provide adequate inventory control over equipment items and understated the value of equipment for State financial reporting purposes as of September 30, 1996 and September 30, 1995.

In accordance with Section 18.1201 of the *Michigan Compiled Laws*, DMB issued numerous directives to State agencies pertaining to equipment inventory controls and the recording and reporting of acquisition and disposal data for financial reporting purposes. MJC's Office Services is primarily responsible for administering MJC's equipment control and related financial functions.

Our review of these functions disclosed:

- a. MJC had not yet developed or implemented procedures to tag equipment that had been transferred to MJC from other departments and to record the value of this equipment in its inventory records.

The State's General Fixed Assets Accounting Manual (GFAAM) requires that all equipment items costing more than \$1,000 be tagged and included in the agency's equipment inventory records. GFAAM also requires that, when equipment is transferred from other departments, the tags from the transferring departments be removed and replaced with new tags.

- b. MJC did not complete annual physical inventories of equipment during fiscal years 1995-96 and 1994-95.

DMB Administrative Guide procedure 1270.05 requires that an annual physical inventory be conducted to determine that assets are functional and are in MJC's custody.

After our initial discussions with MJC and subsequent to the end of our audit period, MJC's various program service areas completed equipment inventories. However, MJC has not yet combined these individual inventories into a comprehensive departmental inventory record.

- c. MJC's annual fixed asset inventory reports submitted to DMB during our audit period did not include all of MJC's equipment.

GFAAM requires departments to annually submit to DMB a fixed asset inventory report which includes fixed asset inventory additions, disposals, and transfers. MJC reported an equipment balance of \$2,213,567 to DMB as of September 30, 1996. This amount included a beginning balance of \$68,404 and acquisitions during fiscal year 1995-96 of \$2,145,163. MJC reported an equipment balance of \$0 to DMB as of September 30, 1995.

We noted the following discrepancies in MJC's equipment balance as of September 30, 1996:

- (1) MJC's reported equipment balance as of September 30, 1996 did not include equipment purchases made during fiscal year 1994-95 of approximately \$1.1 million.
- (2) MJC's reported equipment balance as of September 30, 1996 did not include the carry-in value of equipment that had been transferred to MJC from other departments.

Several program services areas have been transferred to MJC since its creation as a temporary department on March 3, 1993 and its establishment as a permanent department on February 27, 1995. Program areas transferred to MJC include the Bureau of Employment Training and Community Service (currently part of MJC's Workforce Development), Michigan Rehabilitation Services, the Community Development Block Grant, and the Michigan Strategic Fund. As of the end of our audit fieldwork, MJC had not yet included the value of any of the equipment from these program services areas in MJC's equipment records.

The transfers of these various program units has made MJC's efforts to develop a comprehensive fixed asset control and reporting system more difficult. However, MJC needs to develop an accurate and comprehensive listing of its equipment so that, when physical inventories are conducted, MJC will have a basis for determining whether it has properly accounted for all of its equipment.

RECOMMENDATIONS

We recommend that MJC comply with prescribed fixed asset control and financial reporting requirements by:

- (a) Tagging and recording accurate cost data for all transferred equipment items.
- (b) Completing annual physical inventories of equipment.
- (c) Submitting accurate annual fixed asset inventory reports.

AGENCY PRELIMINARY RESPONSE

MJC agrees with these recommendations, has subsequently completed a physical inventory, and is implementing corrective actions for tagging and maintaining records of equipment. MJC has adopted DMB's policy which increased the capitalization limit to \$5,000, effective October 1, 1996. This will significantly reduce the number of items subject to tagging and recordkeeping.

It should be noted that some of the findings occurred prior to MJC having its own administrative support unit and, thus, were the responsibility of the respective departments that transferred programs to MJC.

Independent Auditor's Report on
the Internal Control Structure

August 8, 1997

Mr. Doug Rothwell, Chief Executive Officer
Michigan Jobs Commission
Victor Center
Lansing, Michigan

Dear Mr. Rothwell:

We have audited the General Fund financial schedules of the Michigan Jobs Commission for the fiscal years ended September 30, 1996 and September 30, 1995 and have issued our report thereon dated August 8, 1997. We have also audited the Michigan Jobs Commission's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated August 8, 1997.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audits to obtain reasonable assurance about whether the financial schedules are free of material misstatement and about whether the Michigan Jobs Commission complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the fiscal years ended September 30, 1996 and September 30, 1995, we considered the Michigan Jobs Commission's internal control structure and internal control elements reviewed as part of our financial related audit of the Michigan Administrative Information Network in order to determine our auditing procedures for the purpose of expressing our opinions on the Michigan Jobs Commission's financial schedules and not to provide assurance on the internal control structure. The Michigan Administrative Information Network is the Statewide financial management system implemented in fiscal year 1994-95 and, as such, affects the Michigan Jobs Commission's internal control structure. We also considered the

Michigan Jobs Commission's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on its compliance with requirements applicable to major federal financial assistance programs, and to report on the internal control structure in accordance with OMB Circular A-128.

The management of the Michigan Jobs Commission is responsible for establishing and maintaining an internal control structure, which operates in conjunction with the Statewide internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures, including those used in administering federal financial assistance programs, in the following categories:

Accounting Controls

- Revenue
- Payroll expenditures
- Administrative expenditures
- Grant payments
- General fixed assets

Administrative Controls

- General requirements:
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial reports
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
 - Davis-Bacon Act

- Specific requirements:
 - Allowable services
 - Eligibility
 - Matching or level of effort

Special reporting
Special tests and provisions
Subrecipient monitoring

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the fiscal years ended September 30, 1996 and September 30, 1995, the Michigan Jobs Commission expended 96.0% and 97.6%, respectively, of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the Michigan Jobs Commission's major federal financial assistance programs, which are identified in the accompanying schedules of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Michigan Jobs Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules or to administer federal financial assistance programs in accordance with applicable laws and regulations. The reportable conditions are more fully described in Findings 1 through 7.

Also, our financial related audit of the Michigan Administrative Information Network for the period October 1, 1994 through April 30, 1996 noted 29 reportable conditions on the internal control structure which are more fully explained in our separately issued report on the Michigan Administrative Information Network, dated August 31, 1996. Although the Michigan Jobs Commission is not responsible for the design of the Statewide policies and controls of the Michigan Administrative Information Network, which all State agencies are required to use, these reportable conditions affected the Michigan Jobs Commission's internal control structure.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial schedules being audited or that noncompliance with laws and regulations

that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures, including those used in administering federal financial assistance programs, would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness. Three of the 29 reportable conditions identified in our financial related audit of the Michigan Administrative Information Network were material weaknesses. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the Michigan Jobs Commission's financial schedules and of its compliance with requirements applicable to its major federal financial assistance programs for the fiscal years ended September 30, 1996 and September 30, 1995, and this report on the internal control structure does not affect our reports thereon dated August 8, 1997.

This report is intended for the information of management and the Legislature. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on
Compliance With Laws and Regulations

August 8, 1997

Mr. Doug Rothwell, Chief Executive Officer
Michigan Jobs Commission
Victor Center
Lansing, Michigan

Dear Mr. Rothwell:

We have audited the General Fund financial schedules of the Michigan Jobs Commission for the fiscal years ended September 30, 1996 and September 30, 1995 and have issued our report thereon dated August 8, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Michigan Jobs Commission is the responsibility of the Michigan Jobs Commission's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of the Michigan Jobs Commission's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial schedules was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Michigan Jobs Commission complied, in all material respects, with the provisions referred to in the previous paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Michigan Jobs Commission had not complied, in all material respects, with those provisions.

We have also audited the Michigan Jobs Commission's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching or level of effort; reporting; special tests or provisions; subrecipient monitoring; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedules of federal financial assistance, for the fiscal years ended September 30, 1996 and September 30, 1995. The management of the Michigan Jobs Commission is responsible for the Michigan Jobs Commission's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the previous paragraph occurred. An audit includes examining, on a test basis, evidence about the Michigan Jobs Commission's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the findings and recommendations, the accompanying schedule of questioned costs, and/or the accompanying schedule of immaterial noncompliance. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Michigan Jobs Commission complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching or level of effort; reporting; special tests or provisions; subrecipient monitoring; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the fiscal years ended September 30, 1996 and September 30, 1995.

In connection with our audit of the financial schedules of the Michigan Jobs Commission for the fiscal years ended September 30, 1996 and September 30, 1995 and with our consideration of the Michigan Jobs Commission's internal control structure used to administer federal financial assistance programs, as required by OMB Circular A-128, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the fiscal years ended September 30, 1996 and September 30, 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed and unallowed; eligibility; matching or level of effort; and monitoring and evaluation that are

applicable to those transactions. Also, we have applied procedures to test the Michigan Jobs Commission's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the schedules of federal financial assistance, for the fiscal years ended September 30, 1996 and September 30, 1995:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Davis-Bacon Act

Our procedures for testing compliance with the general requirements were limited to the applicable procedures described in OMB's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures for testing compliance with the general requirements and the requirements applicable to the nonmajor programs, which are described in the previous paragraph, were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Michigan Jobs Commission's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second previous paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Michigan Jobs Commission had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the findings and recommendations and/or the accompanying schedule of questioned costs.

This report is intended for the information of management and the Legislature. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on
the Financial Schedules

August 8, 1997

Mr. Doug Rothwell, Chief Executive Officer
Michigan Jobs Commission
Victor Center
Lansing, Michigan

Dear Mr. Rothwell:

We have audited the accompanying schedule of General Fund revenue and operating transfers and the schedule of General Fund sources and disposition of authorizations of the Michigan Jobs Commission for the fiscal years ended September 30, 1996 and September 30, 1995. These financial schedules are the responsibility of the management of the Michigan Jobs Commission. Our responsibility is to express an opinion on these financial schedules based on our audit. The financial transactions of the Michigan Jobs Commission are accounted for principally in the General Fund of the State of Michigan.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the accompanying financial schedules include only the revenue and operating transfers and the sources and disposition of authorizations for the Michigan Jobs Commission's General Fund accounts, presented on the modified accrual basis of accounting. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either the Michigan Jobs Commission or the State's General Fund in accordance with generally accepted accounting principles.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenue and operating transfers and the sources and disposition of authorizations of the Michigan Jobs Commission for the fiscal years ended September 30, 1996 and September 30, 1995 on the basis of accounting described in Note 1b.

Our audit was made for the purpose of forming an opinion on the Michigan Jobs Commission's financial schedules. The accompanying supplemental financial schedules, consisting of the schedule of General Fund assets, schedule of General Fund liabilities, and the schedules of federal financial assistance, are presented for purposes of additional analysis and are not a required part of the Michigan Jobs Commission's financial schedules referred to in the first paragraph. The information in the supplemental financial schedules has been subjected to the auditing procedures applied in the audit of the Michigan Jobs Commission's financial schedules and, in our opinion, is fairly stated in all material respects in relation to the Michigan Jobs Commission's financial schedules.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 8, 1997 on our consideration of the Michigan Jobs Commission's internal control structure and a report dated August 8, 1997 on its compliance with laws and regulations.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

MICHIGAN JOBS COMMISSION
Schedule of General Fund Revenue and Operating Transfers
Fiscal Years Ended September 30

| | <u>1996</u> | <u>1995</u> |
|---|--------------------------|--------------------------|
| REVENUE | | |
| Federal agencies: | | |
| General purpose | \$ 1,864,412 | \$ 693,629 |
| Restricted | 260,905,439 | 241,625,327 |
| Local agencies: | | |
| General purpose | | 916 |
| Restricted | 7,567,026 | 3,307,473 |
| Services: | | |
| General purpose | 509 | 11,435 |
| Restricted | 1,096,118 | 1,029,175 |
| Licenses and Permits: | | |
| General purpose | | |
| Restricted | | 31,392 |
| Miscellaneous: | | |
| General purpose | 186,004 | 197,254 |
| Restricted | 3,501,114 | 1,165,538 |
| Total Revenue | \$ 275,120,620 | \$ 248,062,139 |
| OPERATING TRANSFERS | | |
| Operating transfers from other funds: | | |
| General purpose | | |
| Restricted | | (65,400) |
| Operating transfers from component units: | | |
| General purpose | | 804,840 |
| Restricted | 190,510 | |
| Total Revenue and Operating Transfers | \$ <u>275,311,130</u> | \$ <u>248,801,579</u> |

The accompanying notes are an integral part of the financial schedules.

MICHIGAN JOBS COMMISSION
Schedule of General Fund Sources and Disposition of Authorizations
Fiscal Year Ended September 30, 1996

SOURCES OF AUTHORIZATIONS

| | |
|--|---------------------------|
| Current legislative appropriation (Note 2) | \$ 112,994,025 |
| Budgetary transfers in (Note 3) | 80,000 |
| Unexpended from prior years | 6,468,266 |
| Restricted revenue additions: | |
| Federal revenue | 260,905,439 |
| Other | 12,354,767 |
| Total | <u>\$ 392,802,496</u> |

DISPOSITION OF AUTHORIZATIONS

| | |
|--|---------------------------|
| Expenditures and operating transfers out | \$ 354,913,600 |
| Carried forward: | |
| Encumbered balances (Note 2) | \$ 35,298,942 |
| Restricted revenue not authorized (Note 4) | 102,650 |
| Multi-year projects (Note 5) | 1,314,746 |
| Total carried forward | <u>\$ 36,716,338</u> |
| Balances Lapsed | \$ 1,172,558 |
| Total | <u>\$ 392,802,496</u> |

The accompanying notes are an integral part of the financial schedules.

MICHIGAN JOBS COMMISSION
Schedule of General Fund Sources and Disposition of Authorizations
Fiscal Year Ended September 30, 1995

SOURCES OF AUTHORIZATIONS

| | |
|---|---------------------------|
| General purpose appropriations (Note 2) | \$ 23,036,800 |
| Balances carried forward | 562,017 |
| Restricted revenue and restricted operating transfers in: | |
| Federal revenue | 241,625,327 |
| Other | 5,468,178 |
| Budgetary transfers in (Note 3) | 17,342,630 |
| Total | <u>\$ 288,034,952</u> |

DISPOSITION OF AUTHORIZATIONS

| | |
|---|---------------------------|
| Expenditures and operating transfers out | \$ 280,761,912 |
| Encumbrances carried forward (Note 2 and 6) | 5,367,631 |
| Unencumbered balances forward | 1,060,611 |
| Balances lapsed (Note 6) | 844,799 |
| Overexpended (Note 6) | 0 |
| Total | <u>\$ 288,034,952</u> |

The accompanying notes are an integral part of the financial schedules.

Notes to Financial Schedules

Note 1 Significant Accounting Policies

a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Michigan Jobs Commission for the fiscal years ended September 30, 1996 and September 30, 1995. The financial transactions of the Michigan Jobs Commission are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The footnotes accompanying these financial schedules relate directly to the Michigan Jobs Commission. The *SOMCAFR* provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies, Budgeting and Budgetary Control, Pension Benefits and Other Postemployment Benefits, and Compensated Absences.

For purposes of presenting the governmental operations of the Michigan Jobs Commission in the accompanying financial schedules, the proprietary operations of the Michigan Strategic Fund (an enterprise fund) have been excluded from the Michigan Jobs Commission's reporting entity. The Michigan Strategic Fund annually issues separately audited financial statements.

b. Basis of Accounting and Presentation

The financial schedules contained in this report are prepared on the modified accrual basis of accounting, as provided by generally accepted accounting principles for governmental funds. The modified accrual basis of accounting, which emphasizes the measurement of current financial resource flows, is explained in more detail in the *SOMCAFR*.

The accompanying financial schedules include only the revenue and operating transfers and the sources and disposition of authorizations for the Michigan Jobs Commission's General Fund accounts. Accordingly,

these financial schedules are not intended to constitute a complete financial presentation of either the Michigan Jobs Commission or the State's General Fund in accordance with generally accepted accounting principles.

Note 2 Increases in Sources and Disposition of Authorizations

The Michigan Jobs Commission's appropriations for the fiscal year ended September 30, 1996 reflect the addition of two grant programs, the Economic Development Job Training Grant (\$35 million) and the Work First Grants (\$28 million), and the expansion of the Economic Retention and Expansion Services (\$21 million).

The large increase in encumbrances carried forward in the fiscal year ended September 30, 1996 is primarily attributable to the Economic Development Job Training Grant.

Note 3 Effect of Executive Order 1994-26

Executive Order 1994-26 transferred numerous grant programs and operations to the Michigan Jobs Commission from other State departments. The spending authority for these programs and operations was transferred to the Michigan Jobs Commission through budgetary transfers resulting in a large authorization for budgetary transfers in for the fiscal year ended September 30, 1995.

Note 4 Restricted Revenue Not Authorized

These revenues are restricted, by statute, for use to a particular department program or activity. However, the expenditure of the restricted revenue is subject to annual legislative appropriation.

Note 5 Multi-Year Project Balances

These balances are unexpended authorizations for work projects and capital outlay projects that are carried forward to subsequent fiscal years for the completion of the projects.

Note 6 Disposition of Authorizations Classification

The amounts reported for encumbrances, lapses, and overexpenditures on the schedule of General Fund sources and disposition of authorizations for the fiscal year ended September 30, 1995 may not agree with the amounts

reported in the *SOMCAFR*. With the approval of the Office of Financial Management, Department of Management and Budget, the Michigan Jobs Commission reclassified encumbrances, lapses, and overexpenditures to properly reflect the cancellation of an encumbrance (\$141,100) which had been erroneously recorded. This resulted in the reduction of the lapsed amount by \$10,700 and no over expenditures.

SUPPLEMENTAL FINANCIAL SCHEDULES

MICHIGAN JOBS COMMISSION
Schedule of General Fund Assets
As of September 30

| | <u>1996</u> | <u>1995</u> |
|---|------------------|------------------|
| ASSE | | |
| TS | | |
| Due from federal agencies for: | | |
| Community Development Block Grant | \$ 21,386,965 | \$ 9,724,656 |
| Job Training Partnership Act | 16,893,848 | 15,218,724 |
| Rehabilitation Services Basic Support | 8,437,612 | 11,452,395 |
| School to Work Program | 11,191,757 | |
| K.I. Sawyer Base Caretaker Cooperative Agreement | 1,881,707 | |
| Drug Addiction and Alcoholism Referral and Monitoring Agency | 1,875,291 | |
| AmeriCorps | 1,261,600 | |
| Other federal programs | <u>4,796,554</u> | <u>1,903,723</u> |
| Total Due From Federal Agencies* | \$ 67,725,335 | \$ 38,299,499 |
| Due from local agencies | \$ 6,465,364 | \$ 6,506,545 |
| Due from component units | \$ 588,242 | \$ 403,990 |
| Other current assets | \$ 1,114,356 | \$ 886,685 |
| Mortgages and loans receivable - long-term | \$ 1,079,172 | \$ 1,194,524 |

This schedule of assets is not representative of a balance sheet and is not intended to report financial condition. The amounts presented include those assets for which the Michigan Jobs Commission is directly responsible. The schedule excludes other assets, such as equity in Common Cash and cash in transit, which are accounted for centrally by the State.

* The increase in total due from federal agencies was caused by the addition of several new federal programs and also from delays in federal billings and the related drawdowns of federal funds.

MICHIGAN JOBS COMMISSION
Schedule of General Fund Liabilities
As of September 30

| | <u>1996</u> | <u>1995</u> |
|--|-----------------------------|-----------------------------|
| LIABILITIES | | |
| Accounts payable under grants and awards: | | |
| Community Development Block Grant | \$ 4,357,166 | \$ 2,301,502 |
| Job Training Partnership Act | 7,704,836 | 12,551,721 |
| Rehabilitation Services Basic Support | 739,799 | 963,435 |
| School to Work Program | 5,726,991 | |
| Other | <u>3,714,305</u> | <u>1,535,475</u> |
| Total Accounts Payable Under Grants and Awards | \$ <u>22,243,097</u> | \$ <u>17,352,133</u> |
| Other liabilities: | | |
| Deferred revenue | \$ 4,278,031 | \$ 5,557,894 |
| Due to component units | 1,031,752 | |
| Due to other funds | 54,872 | |
| Other current liabilities | <u>35,494</u> | <u>514</u> |
| Total Other Liabilities | \$ <u>5,400,149</u> | \$ <u>5,558,408</u> |

This schedule of liabilities is not representative of a balance sheet and is not intended to report financial condition. The amounts presented include only those liabilities for which the Michigan Jobs Commission is directly responsible. The schedule excludes other liabilities, such as warrants outstanding, which are accounted for centrally by the State.

MICHIGAN JOBS COMMISSION
Schedule of Federal Financial Assistance
Fiscal Year Ended September 30, 1996

| Grantor Agency/ Federal Assistance Program Title | Grant/ Contract Number | CFDA * Program Number | Award Period | Amount of Award |
|---|---------------------------|-----------------------------|-------------------------|--------------------|
| <u>U.S. Department of Commerce</u> | | | | |
| Economic Development - State and Local Economic Development Planning | 06-25-02712 | 11.305 | 09/01/94 - 09/30/96 | \$ 150,000 |
| Total U. S. Department of Commerce | | | | |
| <u>U.S. Department of Defense</u> | | | | |
| Community Economic Adjustment Planning Assistance | CL9355-93-01-94- 02 | 12.607 | 07/01/93 - 03/30/97 | \$ 1,131,461 |
| Community Economic Adjustment Planning Assistance | FA9335-94-02-95- 01 | 12.607 | 06/01/94 - 06/30/96 | \$ 199,355 |
| Total Community Economic Adjustment Planning Assistance | | | | |
| Other Federal Financial Assistance: | | | | |
| K.I. Sawyer Base Caretaker Cooperative Agreement | None | None | 08/15/95 - 04/01/97 | \$ 3,422,300 |
| Total U.S. Department of Defense | | | | |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Community Development Block Grants - State's Program | B-88-DC-26-0001 | 14.228 ** | 05/01/88 - Depletion | \$ 26,955,000 |
| Community Development Block Grants - State's Program | B-89-DC-26-0001 | 14.228 ** | 05/01/89 - Depletion | \$ 27,933,000 |
| Community Development Block Grants - State's Program | B-90-DC-26-0001 | 14.228 ** | 05/01/90 - Depletion | \$ 27,139,000 |
| Community Development Block Grants - State's Program | B-91-DC-26-0001 | 14.228 ** | 05/01/91 - Depletion | \$ 30,280,000 |
| Community Development Block Grants - State's Program | B-92-DC-26-0001 | 14.228 ** | 05/01/92 - Depletion | \$ 32,224,000 |
| Community Development Block Grants - State's Program | B-93-DC-26-0001 | 14.228 ** | 05/01/93 - Depletion | \$ 38,345,000 |
| Community Development Block Grants - State's Program | B-94-DC-26-0001 | 14.228 ** | 05/01/94 - Depletion | \$ 42,835,000 |
| Community Development Block Grants - State's Program | B-95-DC-26-0001 | 14.228 ** | 04/01/95 - Depletion | \$ 46,377,000 |
| Community Development Block Grants - State's Program | B-96-DC-26-0001 | 14.228 ** | 01/01/96 - Depletion | \$ 45,233,000 |
| Total Community Development Block Grants - State's Program | | | | |
| Total U.S. Department of Housing and Urban Development | | | | |
| <u>U.S. Department of Labor</u> | | | | |
| Employment Service | X-4922-5-00-80-60 | 17.207 | 11/18/94 - 09/30/96 | \$ 400,000 |
| Employment and Training Assistance - Dislocated Workers | A-4139-3-00-81-50 | 17.246 * | 07/01/93 - 06/30/96 | \$ 20,181,669 |
| Employment and Training Assistance - Dislocated Workers | A-4139-3-00-81-50 | 17.246 * | 05/31/94 - 03/31/97 | \$ 250,000 |
| Employment and Training Assistance - Dislocated Workers | A-4139-3-00-81-50 | 17.246 | 06/30/94 - 06/30/96 | \$ 1,045,000 |

This schedule continued on next page.

Amounts Transferred and Expended - FY 1995-96

| Transferred to Other State Agencies | Directly Expended by Department | Distributed to Subrecipients | Total |
|---|---------------------------------------|------------------------------------|----------------------|
| \$ | \$ 36,565 | \$ | \$ 36,565 |
| \$ 0 | \$ 36,565 | \$ 0 | \$ 36,565 |
| \$ | \$ 35,063 | \$ | \$ 35,063 |
| \$ 0 | \$ 35,063 | \$ 0 | \$ 35,063 |
| \$ | \$ 2,885,743 | \$ | \$ 2,885,743 |
| \$ 0 | \$2,920,806 | \$ 0 | \$ 2,920,806 |
| \$ 2,800 | \$ | \$ 70 | \$ 2,870 |
| | | 5,697,689 | 5,697,689 |
| | | 3,746,515 | 3,746,515 |
| | | 417,152 | 417,152 |
| 241,345 | 690,497 | 5,685,653 | 6,617,495 |
| 2,052,280 | | 6,795,661 | 8,847,941 |
| 1,924,094 | | 11,357,755 | 13,281,849 |
| 564,276 | | 521,644 | 1,085,920 |
| \$ 4,784,795 | \$ 690,497 | \$ 34,222,139 | \$ 39,697,431 |
| \$ 4,784,795 | \$ 690,497 | \$ 34,222,139 | \$ 39,697,431 |
| \$ | \$ 93,455 | \$ 250,000 | \$ 343,455 |
| \$ | \$ | \$ | \$ |
| | | 90,367 | 90,367 |
| | | 380,340 | 380,340 |

MICHIGAN JOBS COMMISSION
Schedule of Federal Financial Assistance
Fiscal Year Ended September 30, 1996
Continued

| Grantor Agency/ Federal Assistance Program Title | Grant/ Contract Number | CFDA * Program Number | Award Period | Amount of Award |
|--|---------------------------|-----------------------------|------------------------|--------------------|
| Employment and Training Assistance - Dislocated Workers | A-4602-4-00-81-50 | 17.246 ** | 08/01/95 - 06/30/97 | \$ 1,513,097 |
| Employment and Training Assistance - Dislocated Workers | A-4602-4-00-81-50 | 17.246 ** | 07/01/94 - 06/30/97 | \$ 34,010,829 |
| Employment and Training Assistance - Dislocated Workers | A-5349-5-00-81-50 | 17.246 ** | 06/30/96 - 03/31/97 | \$ 240,000 |
| Employment and Training Assistance - Dislocated Workers | A-5349-5-00-81-50 | 17.246 ** | 02/26/96 - 02/28/97 | \$ 2,469,880 |
| Employment and Training Assistance - Dislocated Workers | A-5349-5-00-81-50 | 17.246 ** | 06/29/96 - 06/31/98 | \$ 1,478,258 |
| Employment and Training Assistance - Dislocated Workers | A-5349-5-00-81-50 | 17.246 ** | 07/01/95 - 06/30/98 | \$ 31,657,006 |
| Employment and Training Assistance - Dislocated Workers | A-5850-6-00-87-50 | 17.246 ** | 07/01/96 - 06/30/99 | \$ 26,935,797 |
| Total Employment and Training Assistance - Dislocated Workers | | | | |
| Employment Services and Job Training - Pilot and Demonstration Programs | F-4732-4-00-80-60 | 17.249 | 06/30/94 - 01/01/96 | \$ 125,000 |
| Job Training Partnership Act | A-4139-3-00-81-50 | 17.250 ** | 07/01/93 - 06/30/96 | \$ 112,857,292 |
| Job Training Partnership Act | A-4602-4-00-81-50 | 17.250 ** | 07/01/94 - 06/30/97 | \$ 90,441,105 |
| Job Training Partnership Act | A-5349-5-00-81-50 | 17.250 ** | 07/01/95 - 06/30/98 | \$ 48,484,341 |
| Job Training Partnership Act | A-5349-5-00-81-50 | 17.250 ** | 07/01/96 - 06/30/99 | \$ 21,022,933 |
| Job Training Partnership Act | A-5850-6-00-87-50 | 17.250 ** | 07/01/96 - 06/30/99 | \$ 32,830,004 |
| Total Job Training Partnership Act | | | | |
| Total U. S. Department of Labor | | | | |
| <u>U.S. Department of Education</u> | | | | |
| Federal Supplemental Educational Opportunity Grants | P007A58332 | 84.007 | 07/01/95 - 06/30/96 | \$ 26,473 |
| Federal Supplemental Educational Opportunity Grants | P007A68332 | 84.007 | 07/01/96 - 06/30/97 | \$ 27,300 |
| Total Federal Supplemental Educational Opportunity Grants | | | | |
| Federal Work-Study Program | P033A58332 | 84.033 | 07/01/95 - 06/30/96 | \$ 24,213 |
| Federal Work-Study Program | P033A68332 | 84.033 | 07/01/96 - 06/30/97 | \$ 22,258 |
| Total Federal Work-Study Program | | | | |
| Federal Pell Grant Program | P063P58765 | 84.063 | 07/01/95 - 06/30/96 | \$ 358,863 |
| Federal Pell Grant Program | P063P68765 | 84.063 | 07/01/96 - 06/30/97 | \$ 153,250 |
| Total Federal Pell Grant Program | | | | |

This schedule continued on next page.

Amounts Transferred and Expended - FY 1995-96

| Transferred to Other State Agencies | Directly Expended by Department | Distributed to Subrecipients | Total |
|---|---------------------------------------|------------------------------------|-----------------------|
| \$ | \$ | \$ | \$ |
| | | 797,600 | 797,600 |
| | | 3,969,067 | 3,969,067 |
| | | 1,439,285 | 1,439,285 |
| | | 110,492 | 110,492 |
| | 654,928 | 22,790,526 | 23,445,454 |
| | 293,733 | 3,837,966 | 4,131,699 |
| \$ | \$ | \$ | \$ |
| 0 | 948,661 | 33,415,643 | 34,364,304 |
| \$ | \$ | \$ | \$ |
| | | 91,718 | 91,718 |
| \$ | \$ | \$ | \$ |
| | | 148,792 | 148,792 |
| | 1,170,399 | 11,061,049 | 12,231,448 |
| 2,897,997 | 1,121,365 | 29,196,494 | 33,215,856 |
| 38,889 | | 16,581,460 | 16,620,349 |
| 951,537 | 71,635 | 3,222,691 | 4,245,863 |
| \$ | \$ | \$ | \$ |
| 3,888,423 | 2,363,399 | 60,210,486 | 66,462,308 |
| \$ 3,888,423 | \$3,405,515 | \$ 93,967,847 | \$ 101,261,785 |
| \$ | \$ | \$ | \$ |
| | 26,473 | | 26,473 |
| \$ | \$ | \$ | \$ |
| 0 | 26,473 | 0 | 26,473 |
| \$ | \$ | \$ | \$ |
| | | | |
| \$ | \$ | \$ | \$ |
| 0 | 0 | 0 | 0 |
| \$ | \$ | \$ | \$ |
| | 343,075 | | 343,075 |
| | 11,409 | | 11,409 |
| \$ | \$ | \$ | \$ |
| 0 | 354,484 | 0 | 354,484 |

MICHIGAN JOBS COMMISSION
Schedule of Federal Financial Assistance
Fiscal Year Ended September 30, 1996

Continued

| Grantor Agency/ Federal Assistance Program Title | Grant/ Contract Number | CFDA * Program Number | Award Period | Amount of Award |
|---|---------------------------|-----------------------------|---------------------|--------------------|
| Rehabilitation Services - Vocational Rehabilitation Grants to States | H126A40030 | 84.126 * | 10/01/94 - 09/30/96 | \$ 64,482,197 |
| Rehabilitation Services - Vocational Rehabilitation Grants to States | H126A50030 | 84.126 * | 10/01/95 - 09/30/97 | \$ 65,813,923 |
| Total Rehabilitation Services | | | | |
| Secondary Education and Transitional Services for Youth With Disabilities | H158A30022 | 84.158 | 10/01/93 - 09/30/98 | \$ 1,082,016 |
| Rehabilitation Services - Client Assistance Program | H161A60023 | 84.161 | 10/01/95 - 09/30/97 | \$ 306,733 |
| Independent Living - State Grants | H169A60031 | 84.169 | 10/01/95 - 09/30/97 | \$ 383,267 |
| Supported Employment Services for Individuals With Severe Disabilities | H187A60031 | 84.187 | 10/01/95 - 09/30/97 | \$ 1,149,176 |
| Vocational Education - Cooperative Demonstration Agreement - School to Work | V199H50002 | 84.199 * | 10/01/94 - 09/30/99 | \$ 8,000,000 |
| State Grants for Assistive Technology | H224A50009 | 84.224 | 09/01/95 - 08/31/97 | \$ 1,037,964 |
| Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training | H265A40001 | 84.265 | 10/01/94 - 09/30/97 | \$ 220,609 |
| Michigan School to Work Initiative | V278B60002 | 84.278 * | 10/01/95 - 09/30/99 | \$ 16,000,000 |
| Total U. S. Department of Education | | | | |
| U.S. Department of Health and Human Services | | | | |
| Job Opportunities and Basic Skills Training *** | GN96603MIJOBS | 93.561 * | 10/01/95 - 09/30/96 | \$ 39,720,000 |
| Other Federal Financial Assistance: | | | | |
| National Occupational Information Coordinating Committee - Basic Assistance Grant | E-9-4-5-46-25 | None | 07/01/96 - 06/30/98 | \$ 127,450 |

Total U. S. Department of Health and Human Services

This schedule continued on next page.

Amounts Transferred and Expended - FY 1995-96

| Transferred to Other State Agencies | Directly Expended by Department | Distributed to Subrecipients | Total |
|---|---------------------------------------|------------------------------------|----------------------|
| \$ | \$ 88,806 | \$ | \$ 88,806 |
| 470,559 | 60,844,824 | 1,171,809 | 62,487,192 |
| \$ 470,559 | \$ 60,933,630 | \$ 1,171,809 | \$ 62,575,998 |
| \$ | \$ 30,946 | \$ 380,198 | \$ 411,144 |
| 58,512 | 248,221 | | 306,733 |
| | | 383,267 | 383,267 |
| | | 1,118,773 | 1,118,773 |
| 108,804 | 721,231 | 4,076,435 | 4,906,470 |
| | 367,290 | 85,051 | 452,341 |
| | 218,301 | | 218,301 |
| | | 9,840,958 | 9,840,958 |
| \$ 637,875 | ##### | \$ 17,056,491 | \$ 80,594,942 |
| \$ | \$ 824,689 | \$ 33,599,108 | \$ 34,423,797 |
| | 29,309 | | 29,309 |
| \$ 0 | \$ 853,998 | \$ 33,599,108 | \$ 34,453,106 |

MICHIGAN JOBS COMMISSION
Schedule of Federal Financial Assistance
Fiscal Year Ended September 30, 1996
Continued

| Grantor Agency/ Federal Assistance Program Title | Grant/ Contract Number | CFDA * Program Number | Award Period | Amount of Award |
|--|----------------------------|-----------------------------|------------------------|--------------------|
| <u>Corporation for National and Community Service</u> | | | | |
| National Demonstration Models Program | 93NMSTMI0005 | 94.001 | 08/01/93 - 12/31/95 | \$ 225,355 |
| State Commission | 94SCSMI022 | 94.003 | 01/27/94 - 04/30/97 | \$ 1,083,911 |
| Learn and Serve America - School and Community Based Programs | 94LCSMI007 | 94.004 | 09/01/94 - 12/31/97 | \$ 461,000 |
| AmeriCorps | 94ASCMI023 | 94.006 | 08/01/94 - 12/31/97 | \$ 8,346,465 |
| Planning and Program Development Grants | 95SPHG0009 | 94.007 | 04/01/96 - 01/31/97 | \$ 295,260 |
| Training and Technical Assistance | 95PDSMI022 | 94.009 | 01/01/95 - 04/30/97 | \$ 145,000 |
| Total Corporation for National and Community Service | | | | |
| <u>Social Security Administration</u> | | | | |
| Supplemental Security Income | Reimbursement Agreement | 96.006 | 10/01/94 - 09/30/96 | \$ 1,667,371 |
| Supplemental Security Income | Reimbursement Agreement | 96.006 | 10/01/95 - 09/30/97 | \$ 2,399,479 |
| Total Supplemental Security Income | | | | |
| Other Federal Financial Assistance: | | | | |
| Drug Addiction and Alcoholism Referral and Monitoring Agency | 0600-95-22670 | None * | 09/25/95 - 02/28/97 | \$ 6,234,665 |
| Total Social Security Administration | | | | |
| Total Federal Financial Assistance | | | | |

* CFDA is defined as *Catalog of Federal Domestic Assistance*.

** Major program, as defined by the Single Audit Act.

*** Pass-through award from the Family Independence Agency.

See accompanying notes.

Amounts Transferred and Expended - FY 1995-96

| Transferred to Other State Agencies | Directly Expended by Department | Distributed to Subrecipients | Total |
|---|---------------------------------------|------------------------------------|---------------------|
| \$ | \$ | \$ | \$ |
| | 463,063 | | 463,063 |
| | 4,661 | 137,947 | 142,608 |
| | | 2,486,204 | 2,486,204 |
| 129,723 | | | 129,723 |
| | 42,092 | | 42,092 |
| \$ 129,723 | \$ 509,816 | \$ 2,624,151 | \$ 3,263,690 |
| \$ | \$ | \$ | \$ |
| | 1,316 | | 1,316 |
| | 802,454 | | 802,454 |
| \$ 0 | \$ 803,770 | \$ 0 | \$ 803,770 |
| \$ | \$ | \$ | \$ |
| | 1,799,270 | 1,504,904 | 3,304,174 |
| \$ 0 | \$2,603,040 | \$ 1,504,904 | \$ 4,107,944 |
| \$ | \$ | \$ | \$ |
| 9,440,816 | 73,920,813 | 182,974,640 | 266,336,269 |

MICHIGAN JOBS COMMISSION
Schedule of Federal Financial Assistance
Fiscal Year Ended September 30, 1995

| Grantor Agency/ Federal Assistance Program Title | Grant/ Contract Number | CFDA * Program Number | Award Period | Amount of Award |
|--|---------------------------|-----------------------------|------------------------|--------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Youthbuild Program | Y-93-PO-MI-0340 | None | 07/07/94 - 12/31/95 | \$ 100,000 |
| Total U.S. Department of Housing and Urban Development | | | | |
| <u>U.S. Department of Labor</u> | | | | |
| Employment Service | X-4922-5-00-80- 60 | 17.207 | 11/18/94 - 11/18/95 | \$ 400,000 |
| Employment and Training Assistance - Dislocated Workers | U-4552-4-00-88- 60 | 17.246 ** | 02/08/94 - 12/31/94 | \$ 410,000 |
| Employment and Training Assistance - Dislocated Workers | A-4139-3-00-81- 50 | 17.246 ** | 07/01/93 - 06/30/96 | \$ 20,181,669 |
| Employment and Training Assistance - Dislocated Workers | A-4139-3-00-81- 50 | 17.246 ** | 05/31/94 - 03/31/97 | \$ 250,000 |
| Employment and Training Assistance - Dislocated Workers | A-4602-4-00-81- 50 | 17.246 ** | 08/01/95 - 06/30/97 | \$ 1,513,097 |
| Employment and Training Assistance - Dislocated Workers | A-4602-4-00-81- 50 | 17.246 ** | 07/01/94 - 06/30/97 | \$ 34,010,829 |
| Employment and Training Assistance - Dislocated Workers | A-5349-5-00-81- 50 | 17.246 ** | 07/01/95 - 06/30/98 | \$ 31,657,006 |
| Employment and Training Assistance - Dislocated Workers | A-4139-3-00-81- 50 | 17.246 ** | 06/30/94 - 06/30/96 | \$ 1,045,000 |
| Employment and Training Assistance - Dislocated Workers | 26-84 | 17.246 ** | 04/22/93 - 06/30/96 | \$ 832,265 |
| Employment and Training Assistance - Dislocated Workers | A-4139-3-00-81- 50 | 17.246 ** | 10/20/93 - 06/30/96 | \$ 431,844 |
| Employment and Training Assistance - Dislocated Workers | 26-84 | 17.246 ** | 12/21/92 - 06/30/95 | \$ 4,800,000 |
| Employment and Training Assistance - Dislocated Workers | 26-84 | 17.246 ** | 07/01/92 - 06/30/95 | \$ 2,082,265 |
| Total Employment and Training Assistance - Dislocated Workers | | | | |
| Employment Services and Job Training - Pilot and Demonstration Programs | | | | |
| | F-4732-4-00-80- 60 | 17.249 | 06/30/94 - 01/01/96 | \$ 125,000 |
| Job Training Partnership Act | A-4139-3-00-81- 50 | 17.250 ** | 07/01/93 - 06/30/96 | \$ 112,857,292 |
| Job Training Partnership Act | A-4602-4-00-81- 50 | 17.250 ** | 07/01/94 - 06/30/97 | \$ 90,441,105 |
| Job Training Partnership Act | A-5349-5-00-81- 50 | 17.250 ** | 07/01/95 - 06/30/98 | \$ 48,484,341 |
| Total Job Training Partnership Act | | | | |
| Veterans' Employment Program | E-9-5-4-0018 | 17.802 | 01/01/94 - 09/30/94 | \$ 239,000 |
| Total U.S. Department of Labor | | | | |

This schedule continued on next page.

Amounts Transferred and Expended - FY 1994-95

| Transferred to Other State Agencies | Directly Expended by Department | Distributed to Subrecipients | Total |
|---|---------------------------------------|------------------------------------|--------------------|
| \$ | \$ 1,103 | \$ 65,181 | \$ 66,284 |
| \$ 0 | \$ 1,103 | \$ 65,181 | \$ 66,284 |
| \$ | \$ 56,545 | \$ | \$ 56,545 |
| \$ | \$ 73,840 | \$ 177,988 | \$ 251,828 |
| | | 13,832,924 | 13,832,924 |
| | | 66,500 | 66,500 |
| | | 120,168 | 120,168 |
| | | 14,334,942 | 14,334,942 |
| 88,695 | 694,403 | 13,551,844 | 13,551,844 |
| | 135,604 | 5,085,405 | 5,085,405 |
| | | 389,647 | 389,647 |
| | | 804,433 | 804,433 |
| | | 104,414 | 104,414 |
| | | 744,941 | 744,941 |
| | | 88,192 | 88,192 |
| \$ 88,695 | \$ 903,847 | \$ 34,966,456 | \$ 35,958,998 |
| \$ | \$ | \$ 33,282 | \$ 33,282 |
| \$ | \$ 1,917,616 | \$ 37,326,685 | \$ 39,244,301 |
| 5,055,944 | 1,370,237 | 38,052,490 | 44,478,671 |
| 431,095 | 25,321 | 5,116,908 | 5,573,324 |
| \$ 5,487,039 | \$ 3,313,174 | \$ 80,496,083 | \$ 89,296,296 |
| \$ | \$ | \$ 3,893 | \$ 3,893 |
| \$ 5,575,734 | \$ 4,273,566 | \$ 115,499,714 | 125,349,014 |

MICHIGAN JOBS COMMISSION
Schedule of Federal Financial Assistance
Fiscal Year Ended September 30, 1995
Continued

| Grantor Agency/ Federal Assistance Program Title | Grant/ Contract Number | CFDA * Program Number | Award Period | Amount of Award |
|--|---------------------------|-----------------------------|------------------------|--------------------|
| <u>U.S. Department of Education</u> | | | | |
| Secondary Education and Transitional Services for Youth With Disabilities | H158A30008 | 84.158 | 10/01/93 - 09/30/98 | \$ 494,000 |
| Vocational Education - Cooperative Demonstration Agreement - School to Work | V199H50002 | 84.199 ** | 10/01/94 - 09/30/95 | \$ 8,000,000 |
| Total U.S. Department of Education | | | | |
| <u>Corporation for National and Community Service</u> | | | | |
| Community Service Subtitle C | 92COSTMI0014 | 94.001 | 07/01/92 - 01/31/95 | \$ 977,000 |
| Community Service Youth Voice | 93DFYVMI0007 | 94.001 | 07/16/93 - 05/31/95 | \$ 25,000 |
| National Demonstration Models Program | 93NMSTMI0005 | 94.001 | 08/01/93 - 08/31/94 | \$ 225,355 |
| Total Community Service and Demonstration Programs | | | | |
| State Commission | 94SCSMI0022-SC | 94.003 | 01/27/94 - 10/31/94 | \$ 681,000 |
| Learn and Serve America - School and Community Based Programs | 94LCSMI007 | 94.004 | 09/01/94 - 10/31/96 | \$ 301,000 |
| AmeriCorps | 94ASCMi023 | 94.006 | 08/01/94 - 12/31/96 | \$ 2,045,658 |
| Training and Technical Assistance | 95PDMSMI022 | 94.009 | 03/15/95 - 12/31/95 | \$ 65,000 |
| Total Corporation for National and Community Services | | | | |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Other Federal Financial Assistance: | | | | |
| National Occupational Information Coordinating Committee Basic Assistance Grant | E-9-4-2-40-25 | None | 08/01/92 - 06/30/95 | \$ 496,432 |
| Total U.S. Department of Health and Human Services | | | | |
| Total Federal Financial Assistance | | | | |

* CFDA is defined as *Catalog of Federal Domestic Assistance*.

** Major program, as defined by the Single Audit Act.
See accompanying notes.

Amounts Transferred and Expended - FY 1994-95

| Transferred to Other State Agencies | Directly Expended by Department | Distributed to Subrecipients | Total |
|---|---------------------------------------|------------------------------------|---------------------|
| \$ | \$ 2,261 | \$ 470,342 | \$ 472,603 |
| | 433,062 | 2,660,468 | 3,093,530 |
| \$ 0 | \$ 435,323 | \$ 3,130,810 | \$ 3,566,133 |
| \$ | \$ | \$ | \$ |
| | | 42,862 | 42,862 |
| | 17,203 | 2,500 | 19,703 |
| | 21,119 | 111,755 | 132,874 |
| \$ 0 | \$ 38,322 | \$ 157,117 | \$ 195,439 |
| \$ | \$ 358,470 | \$ 82,140 | \$ 440,610 |
| | 916 | 98,476 | 99,392 |
| | | 1,604,212 | 1,604,212 |
| | 12,055 | | 12,055 |
| \$ 0 | \$ 409,763 | \$ 1,941,945 | \$ 2,351,708 |
| \$ | \$ 136,052 | \$ | \$ 136,052 |
| \$ 0 | \$ 136,052 | \$ 0 | \$ 136,052 |
| \$ 5,575,734 | \$ 5,255,807 | \$ 120,637,650 | \$ 131,469,191 |

Notes to Schedules of Federal Financial Assistance

Note 1 Significant Accounting Policies

The financial schedules of the Michigan Jobs Commission are presented on the modified accrual basis of accounting. The schedules include federal financial assistance received by the Michigan Jobs Commission and recorded in the State's General Fund.

Note 2 Transfer of Programs to Michigan Jobs Commission

Executive Order 1993-20 transferred Michigan Rehabilitation Services' (MRS's) operations and programs from the Department of Education to the Michigan Jobs Commission. However, the Department of Education continued to provide accounting and administrative support services to MRS through September 30, 1995. As a result, the federal programs of MRS for the period of October 1, 1994 through September 30, 1995 were included in the scope of the Department of Education Single Audit for the audit period October 1, 1993 through September 30, 1995.

Executive Order 1994-26 transferred the Community Development Block Grant Program from the Department of Commerce to the Michigan Jobs Commission.

However, the Department of Commerce continued to provide accounting and administrative support services for the Program through September 30, 1995. As a result, the Community Development Block Grant Program for the period October 1, 1994 through September 30, 1995 was included in the scope of the Department of Commerce Single Audit for the audit period October 1, 1993 through September 30, 1995.

Note 3 Transfer of Programs from Michigan Jobs Commission

Executive Order 1995-2 transferred the Weatherization for Low Income Persons Program and the Community Services Block Grant Program from the Michigan Jobs Commission to the Family Independence Agency as of March 28, 1995. As a result, these programs were included in the scope of the Family Independence Agency Single Audit for the period October 1, 1994 through September 30, 1996.

SUPPLEMENTAL INFORMATION

MICHIGAN JOBS COMMISSION
Schedule of Questioned Costs
Fiscal Years Ended September 30, 1996 and 1995

| Program and Grant/Contract Number | Finding | Questioned Costs (A) |
|---|--|----------------------|
| <u>U.S. Department of Housing and Urban Development, Labor and Education</u> | | |
| 1. Community Development Block Grants - State's Program | In accordance with the provisions of the Cash Management Improvement Act of 1990, the federal government has incurred an interest liability to the State because of delays between State expenditures for federal programs and the receipt of federal reimbursements (Finding 1.a.). | |
| CFDA #14.228 | | |
| Employment and Training Assistance - Dislocated Workers | | |
| CFDA #17.246 | | |
| Job Training Partnership Act | | |
| CFDA #17.250 | | |
| Rehabilitation Services - Vocational Rehabilitation Grants to States | | |
| CFDA #84.126 | Fiscal year 1995-96 | \$ (375,300) |
| Grant Numbers - Various | Fiscal year 1994-95 | (205,700) |
| <u>U.S. Department of Labor</u> | | |
| 2. Employment and Training Assistance - Dislocated Workers | In accordance with the provisions of the Cash Management Improvement Act of 1990, the State has incurred an interest liability to the federal government because federal funds were received by the State before the State paid out funds for related federal program purposes (Finding 1.b.). | |
| CFDA #17.250 | | |
| Job Training Partnership Act | | |
| CFDA #17.250 | | |
| Grant Number A-5349-5-00-81-50 | | |
| | Fiscal year 1995-96 | 213,000 |
| 3. Job Training Partnership Act | Personnel-payroll cost allocation documentation was not adequate. | |
| CFDA #17.250 | | |
| Grant Number A-4602-4-00-81-50 | | |
| | Index code 41300, PCA code 40375, fiscal year 1994-95 position number 80-01-01-01-00-00-001 | 63,777 |
| 4. Job Training Partnership Act | Personnel-payroll cost allocation documentation was not adequate. | |
| CFDA #17.250 | | |
| Grant Number A-4602-4-00-81-50 | | |
| | Index code 41300, PCA code 40375, fiscal year 1994-95 position number 80-01-10-01-01-00-003 | 33,163 |
| 5. Job Training Partnership Act | Personnel-payroll cost allocation documentation was not adequate. | |
| CFDA #17.250 | | |
| Grant Number A-4602-4-00-81-50 | | |
| | Index code 41300, PCA code 40375, fiscal year 1994-95 position number 80-01-01-00-00-00-002 | 62,787 |

This schedule continued on next page.

MICHIGAN JOBS COMMISSION
Schedule of Immaterial Noncompliance
Fiscal Years Ended September 30, 1996 and 1995

| Program and Grant/Contract Number | Finding/Noncompliance |
|--|--|
| <u>U.S. Department of Housing and Urban Development</u> | |
| Community Development Block Grants - State's Program CFDA #14.228 Grant Number B-96-DC-26-0001 | MJC did not obtain the progress report due in June 1996 for one program subrecipient. (#933106 - Prescott Village) |
| Community Development Block Grants - State's Program CFDA #14.228 Grant Number B-96-DC-26-0001 | MJC did not follow up and resolve monitoring visit findings in a timely manner for one program subrecipient. (#940018 Port Huron) |
| <u>U.S. Department of Education</u> | |
| Vocational Education - Cooperative Demonstration Agreement - School to Work CFDA #84.199 Grant Number V199H50002 | MJC did not submit 2 federal cash transactions reports (PMS-272) on a timely basis. The PMS-272 reports due for the quarters ended March 31, 1995 and June 30, 1995 were each submitted 8 days late. |
| <u>U.S. Department of Labor, Education, and Health and Human Services</u> | |
| Employment and Training Assistance - Dislocated Workers CFDA #17.246 Job Training Partnership Act CFDA #17.250 Vocational Education - Cooperative Demonstration Agreement - School to Work CFDA #84.199 Job Opportunities and Basic Skills Training CFDA #93.561 Grant Numbers - Various | MJC did not ensure that new workers were adequately informed of the federal Drug-Free Workplace Act policy. |
| Various | MJC did not have a centralized location for the receipt and monitoring of civil rights complaints. |

CFDA is defined as *Catalog of Federal Domestic Assistance*.

Note: This schedule reports instances of immaterial noncompliance with laws and regulations which have no associated questioned costs and are not included in the body of our report. Material instances of noncompliance with laws and regulations are reported in our comments and findings. All instances of noncompliance that have an associated questioned cost are presented on the schedule of questioned costs.

Glossary of Acronyms and Terms

| | |
|----------------------------|--|
| <i>CFDA</i> | <i>Catalog of Federal Domestic Assistance.</i> |
| <i>CFR</i> | <i>Code of Federal Regulations.</i> |
| CMIA | federal Cash Management Improvement Act. |
| DMB | Department of Management and Budget. |
| financial audit | An audit that is designed to provide reasonable assurance about whether the financial statements/schedules of an audited entity are fairly presented in conformity with generally accepted accounting principles. |
| GFAAM | General Fixed Assets Accounting Manual. |
| INBD | International and National Business Development. |
| internal control structure | The management control environment, accounting system, and control policies and procedures established by management to provide reasonable assurance that resources are safeguarded; that resources are used in compliance with laws and regulations; and that financial transactions are properly accounted for and reported. |
| JTPA | Job Training Partnership Act. |
| MAIN | Michigan Administrative Information Network. |
| material weakness | A serious reportable condition in which the design or operation of one or more of the internal control elements (including management controls) does not reduce to a relatively low level the risk that errors or irregularities, in amounts that would be material in relation to the financial schedules or in the administration of a major federal |

assistance program, would not be prevented or detected.

| | |
|--|--|
| MESA | Michigan Employment Security Agency. |
| MESC | Michigan Employment Security Commission. |
| MJC | Michigan Jobs Commission. |
| MRS | Michigan Rehabilitation Services. |
| OHR | Office of Human Resources. |
| OMB | federal Office of Management and Budget. |
| negative questioned costs | Amounts that are potentially due to the State from the federal government. |
| PPRISM | Personnel-Payroll Information System for Michigan. |
| questioned costs | Costs tentatively identified as unallowable, undocumented, unapproved, or unreasonable. These costs are subject to disallowance by the federal government. |
| Rehabilitation Services Basic Support (RSBS) | Formally known as Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA # 84.126. |
| reportable condition | A Matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in the design or operation of the internal control structure. |

| | |
|--------------|--|
| Single Audit | A financial audit performed in accordance with the Single Audit Act of 1984 that is designed to meet the needs of all federal grantor agencies and other financial report users. A Single Audit is a financial audit which requires additional study and evaluation of the internal control structure and testing of compliance with laws and regulations relevant to federal assistance programs. |
| SOMCAFR | <i>State of Michigan Comprehensive Annual Financial Report.</i> |
| subrecipient | A nonfederal entity that receives federal awards through another nonfederal entity to carry out a federal program. |